



Personal Insurance

Clear strategies to make sure you have the right cover at the right time, without blowing your budget.

In this guide, you're going to learn what we believe are the foundations of a protection plan. We strongly believe in three key principles when setting up insurance plans:

1. Making sure that you have all the things covered that you need, and nothing you don't.
2. Making sure that it can fit your budget now, and in the future.
3. Claims – the reason we have insurance. Let's make sure they get paid.

Below are some of the common myths around personal protection plans explained.

MYTH 1

I don't need insurance

For most of us, cash flow dictates how we live our life. If we couldn't work, this would have a major impact on our ability to do the things we want to do now, and in the future. In our experience, often people don't think about making sure they have income replacement in place until they have a major commitment, say a family or a mortgage. This should be done as soon as you start working so that it enables you still to do these things on your terms, if something happens.

MYTH 2

Insurance costs too much

You have options. No two insurance plans will be the same. One of the keys to a good insurance plan, is making sure that it aligns with your values, and what you care about most. By working this out, you can make a plan that takes care of the things most important to you.

For example, with income replacement insurance, there are three key areas where you can adjust the amount you pay:

1. How long can you wait for income? If you have some savings and the ability to survive for up to three months, you can drastically reduce the amount of premium you will pay.

2. How long do you want to receive income? Having it paid through to retirement is what we call the “gold star” of income replacement, however, by reducing this payment term to five years or even two years, you can significantly reduce the amount you pay. Note, this isn’t ideal for everyone, but having something is better than nothing.

3. How much income do you want to receive? Perhaps you don’t need the maximum amount of cover, and a portion of your income would be sufficient.

MYTH
3

I have ACC, I don’t need insurance

ACC only covers accidents. Therefore, by definition it doesn’t cover some of the major things that cause people to be off work – Cancer, Stroke, Heart Attacks, and don’t forget, Mental Health.

We are very lucky in New Zealand to have the ACC system, however, we’ve all heard stories of where it hasn’t worked for someone. By having income replacement insurance in place, it can substitute for ACC if they won’t pay, and of course, provide income when we really need it – when we’re sick.

MYTH
4

The cost of my insurance goes up every year

There are ways to combat this. You can “fix” the amount you pay for a certain amount of cover, similar to a fixed rate mortgage. This gives you certainty and control over the amount you pay, and the level of cover you get in return. It costs a little bit more in the short term, but the savings over the long term are surprisingly large.

You can also “fix” the price, and the amount of cover will reduce every year to match the price. This might not be right in all circumstances, but is just another tool to combat rising costs every year.

MYTH
5

My claim won’t be paid

Unfortunately, we have all heard stories of people having trouble with insurance companies, and not getting their claim paid. However, most life insurance companies in NZ are very good at paying claims. This is also the role of any good adviser, to be your advocate and support if you have to claim, and help you navigate what can be a complicated process.

MYTH
6

I’ve setup my insurance, I don’t need to review it

Unfortunately we often see the case where someone has put in place their insurances, and the cost goes up every year until they reach a point where they cancel everything. By regularly making sure it’s fit for purpose, you can understand why you have it in place, and make sure it fits your current situation.

A good starting point on when it’s important to review what you have in place are any major life events:

- Marriage
- Starting a family
- Changing jobs
- Starting a business
- Buying a house
- Separating





All insurances are the same

They definitely are not! We come across large variations in policy wording that make certain covers far worse than others. An example – think you have Mortgage Repayment Cover in place that will pay out if you can't work. With some policies, if you have sold your house and currently have no debt they won't pay!! This links in with reviewing your insurance regularly, companies are regularly changing policies, and making them better (and worse!). It's your advisers job to be on top of this, and use independent research to make sure you have insurance that is going to work for you.

A good insurance plan that is going to work for you at claim time is one of the first steps to reaching financial wellbeing. By getting this in place, and having a good adviser who will be there for you come claim time, you are laying the foundations so that if anything happens along the way, you can still live the life that you want. Most people just make the automatic payment each month from their account without understanding what they are covered for, and more importantly, what they are not covered for.

So, what's next? Pull out those old insurance documents (if you have them!), see what you have in place. Confused? Give us a call for a second opinion, we can work through with you what you have in place, and help you to work out what's important to you.

